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AUTHOR(S):

ASUTAY, Mehmet; KOSUGI, Yasushi; NAGAOKA, Shinsuke

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## **Editors' Preface for the Special Issue: Islamic Finance at the Current Stage: Scopes and Issues**

**Mehmet ASUTAY\*, KOSUGI Yasushi\*\*, and NAGAOKA Shinsuke\*\*\***

The commercial practice of Islamic finance that emerged thirty-five years ago is now growing rapidly with great success. Despite the current global recession due to the financial crisis, Islamic finance sustains its growth; rather, it seems to be increasing its share of the market especially in the Gulf countries and Malaysia. Furthermore, the development of innovative and competitive financial products in Islamic finance has attracted huge interest from conventional bankers in the western financial markets. Some bankers no longer regard Islamic finance as a niche market but as one of the mainstream financial systems. Others feel confident that Islamic finance will become one of the future alternatives to the global financial system. In this sense, Islamic finance has a promising future.

Such rapid growth has raised fresh arguments over the evaluation of the current practice of Islamic finance. The differences in evaluation by bankers, *Sharia* scholars and academic researchers reflect their diverse attitudes toward the future vision of Islamic finance. Those who consider that Islamic finance should increase its competitiveness with conventional finance in the global market stress its current achievements positively, and promote the further development of Islamic financial products. On the other hand, those who argue negatively that the current practice of Islamic finance is not entirely compatible with the tenets of Islam, press for its radical reform or emphasize the need to establish its own way of finance, different from the mainstream financial system. Thus, even though Islamic finance in practice has attained some positive results, the argument over its *raison d'être* still continues.

From the academic viewpoint, both evaluations indicate the breadth of current Islamic finance practice and suggest the need for developing further academic studies in the field. For those with a positive view, there are still various technical and practical problems to be solved which are peculiar to Islamic finance, for example, risk identification & management including *Sharia* risk, *Sharia* governance, and *Sharia*-compliant investment among others. Although these problems should be solved inside the framework of economics in order that Islamic finance maintains its competitiveness with conventional finance, specific factors such as *Sharia* compliance have to be taken into consideration as endogenous parameters of the framework. Those who view the present situation negatively should be aiming at designing an alternative Islamic financial system. This implies that Islamic finance needs to expand

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\* Lecturer in Political Economy, School of Government and International Affairs, Durham University, UK.

\*\* Director, Center for Islamic Area Studies at Kyoto University and Professor of Graduate School of Asian and African Area Studies, Kyoto University.

\*\*\* JSPS Postdoctoral Research Fellow at Center for Southeast Asian Studies, Kyoto University.

or shift its activities to the fields that conventional finance does not cover, such as Islamic microfinance, SRI (Social Responsibility Investment), *Waqf* management, Islamic estate planning and the like.

In response to these challenges, the International Workshop on Islamic Economics with the title of “*Evaluating the Current Practice of Islamic Finance and New Horizons in Islamic Economic Studies*” was held at Kyoto University on 23rd & 24th July, 2009. During the two day workshop, fourteen papers were presented with consideration for both the above mentioned viewpoints, and miscellaneous topics were discussed. After the workshop, the organizing committee selected seven papers for this special issue with the title of “*Islamic Finance at the Current Stage: Scopes and Issues*.” The first four articles analyze the technical and practical problems that Islamic finance must particularly solve. The rest of the articles relate to an alternative design for the Islamic financial system. KOSUGI Yasushi, one of the editors of this issue, previously stated that “Islamic economics is a frontier science” (*Kyoto Bulletin of Islamic Area Studies*, Vol. 1, No. 2, p. 1). Considering the novelty of the topics touched on in this issue, we think that all our readers will agree with this statement. As we are presently trying to survey the critical and front line issues in the field, your valuable comments and feedback are most appreciated.

### **Acknowledgment**

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